Annual Report 2021/22

Oterra Holding ApS
Agern Allé 24
2970 Hørsholm
Company Reg. (CVR) No. 41686774

Adopted at the Annual General Meeting
on January 30, 2023

Chair of the meeting

Contents

Management commentary

EXECUTIVE SUMMARY

The Oterra group hereby releases its Annual Report for 2021/22. The past year has been a transformational one for the business with strong year over year growth. We have invested heavily in several significant growth projects, both organic and inorganic.

These projects support our strategy of maintaining our position as the world's largest provider of natural colors. A significant number of CAPEX projects began in the period 2021/22, with significant growth expected in the years to come as a result while strengthening our business model. Furthermore, we continued to invest heavily in our employees and were able to attract a number of well-known industry performers to our management team. Their expertise has already showed significant results.

In order to continue building our strong and currently unparalleled backwards integration, we acquired two significant players within the natural color industry – Diana Food's Coloring Business and Food Ingredient Solutions (FIS). The first, based in Europe, has further bolstered our access to red beet-based colors, as well as other key color ingredients adding to our strong value-chain.

Likewise, the acquisition of American-based FIS has given us an even stronger position within the North American natural color market – which continues to be a rapidly growing market as the market converts from artificial colors to natural. In October after our FY2021/22 we closed the transaction to welcome Indian-based Akay to our group, further strengthening the business in natural colors and other natural ingredients.

Had the acquisitions been a part of the group for the full financial year, starting 1 September 2021, the consolidated pro forma net revenue and pro forma EBITDA before special items of the group for 2021/22 would have been EUR 430.9 million and EUR 64.7 million, respectively.

An important step in further securing Oterra's digital landscape, and overall business maturity occurred in February 2022 with the global implementation of SAP S/4HANA. This migration signalled the final transformation from Chr. Hansen to standalone company, as the majority of the group's entities moved onto a global ERP and infrastructure platform. While transition to S/4HANA posed temporary challenges in the months following, the business is back to normal and the new ERP platform provides a strengthened platform for future growth and the capture of synergies across Oterra.

Like all businesses around the world, we have continued to deal with the lingering aftereffects of the COVID-19 pandemic, as well as figuring out how best to operate amongst the new realities of a continuingly unstable geo-political landscape. Despite these external factors 2021/22 was a transformational year for the business, and the group has a highly positive outlook for 2022/23 on both external demand growth and continued operational improvement and scalability. Revenue is expected to grow double-digit, driven by strong market demand coupled with the effect of price increases.

Highlights of the year

Oterra is the global market leader in natural colors for food and beverage applications. The global market for natural ingredients in general and natural colors in particular grows due to favorable market trends and increased regulatory focus on the benefits of natural ingredients. Furthermore, consumers increasingly look for more natural and healthy food solutions, which drives conversion from artificial food colors to natural.

The 2021/22 fiscal year constitutes an eventful year and the first full year in Oterra's journey as a standalone company. Oterra has approximately doubled in size during the year and matured significantly. Highlights of the year include completing the carve-out from Chr. Hansen and integrating significant add-on acquisitions.

The acquisitions of SECNA Natural Ingredients Group[1], Diana Food SAS, Food Ingredient Solutions LLC and AKAY[2] helped strengthen Oterra's global market leadership by enhancing the geographical footprint in strategically important regions (US, EU and APAC) as well as enabling vertical integration across several high-quality and scarce raw materials (e.g., turmeric, black carrot and red beet).

During the 2021/22 fiscal year, we also continued our transformation journey with a focus on simplifying the operating model, improving our sustainable business model, and migrating to a new global ERP platform to improve our efficiency and execution to the benefit of our stakeholders.

Going into FY23, Oterra is uniquely positioned to capture market shares by offering customers the most comprehensive and value-adding portfolio in the industry. Therefore, Oterra is expected to continue to grow quickly (both organically and inorganically) and substantially increase earnings.

Financial review

The financial year 2021/22 was the first full year for Oterra covering the period from 1 September 2021 to 31 August 2022. Comparative figures for financial year 2020/21 only comprise the period from 18 September 2020 to 31 August 2021 with only five months of operations, following the acquisition of the Natural Colors division from Chr. Hansen Holding A/S. The 2021/22 financial year has been a year aimed at preparing and scaling the business and processes in order to accommodate and support both the organic, as well as acquisition-driven growth expected in the coming years.

The following events impacted not only the results, but also the development of the Oterra Group:

- The completion of two business combinations, Chr. Hansen carve out and SECNA Natural Ingredients Group,
- The completion of the TSA services following the carve-out from Chr. Hansen,
- The acquisition of two businesses joining the group in 2022, Food Ingredient Solutions LLC and Diana Food SAS,
- The acquisition of Akay, which closed on 17th October 2022,
- The roll out of a new, cloud-native, global ERP system,
- Further strengthening the existing teams.

The year was impacted by the implementation of the new ERP platform. The ERP go-live on the 1 February 2022 brought a significant part of the group's entities onto a global, fully integrated ERP and infrastructure platform. Despite temporary challenges with the implementation which impacted the supply chain and also led to delays in some customer deliveries, the new ERP system is now implemented and will be a key enabler for future growth and synergies across the Oterra Group.

Performance for the year was also somewhat impacted by the ongoing conflict in Ukraine, which in general stressed global supply chains and logistics, as well as the continued impact from COVID. Oterra has on an ongoing basis adopted the EU amendments on our activities in Russia throughout its global operations, which has impacted the financial result somewhat negatively as well.

[1] Acquired in June 2021 before the 2021/22 financial year
[2] Acquisition closed after the close of 2021/22 financial year

Result of the year summary

In 2021/22, Oterra generated net revenues of EUR 335.7 million and EBITDA before special items of EUR 35.7 million (2020/21: EUR 108.4 million and EUR 16.2 million).

Had the acquisitions been a part of the group for the full financial year, starting 1 September 2021, the consolidated pro forma net revenue and pro forma EBITDA before special items of the group for 2021/22 would have been EUR 430.9 million and EUR 64.7 million, respectively.

The operating result before special items and impairment of goodwill amounts to EUR (0.5) million (2020/21: EUR 4.1 million). Included in the operating result is amortization of acquired intangible assets from business combinations and impairment of goodwill, amounting to EUR 225.9 million.

The focus of the company in the financial year has been to prioritize our customers and invest in the business to build the right foundation for the future.

The operating result for the year before special items has increased compared to last year as anticipated, while the degree of non-recurring costs related to M&A activities and continued build-up costs were higher for the reasons stated above. Management considers the result for the year aligned with expectations.

Furthermore, Oterra recognized for accounting purposes an impairment on goodwill of EUR 205 million in 2021/22. Refer to note 3.1 for a more in-depth description of the underlying assumptions and the sensitivity relating to this matter.

Outlook

After a transformational year, Oterra has a highly positive outlook for 2022/23 on both external demand growth and continued operational improvement and scalability. Revenue is expected to grow lower double digits driven by strong market demand, acquisitions and inflation-driven price increases.

EBITDA is also expected to increase significantly (double digit growth), and this will be driven by growth and scalability of the cost base.

The positive market development is expected to continue however with some uncertainty driven by developments in commodity prices, currency fluctuations and general inflation.

Events after the balance sheet date

On the 17 October 2022, Oterra closed the acquisition of Akay Group, a leading player in the natural colors and nutraceutical ingredients industry. The acquisition was financed through an equity contribution from Oterra's owners, as well as external debt from the current lender group. Furthermore, an additional equity contribution was executed in December 2022 to finance a biotech investment and the related development of production lines.

No further events which could have significant impact on the consolidated financial statements occurred subsequent to 31 August 2022.

Consolidated key figures and financial ratios

EUR millions	Sep 1, 2021- Aug 31, 2022	Sep 18, 2020- Aug 31, 2021
Income statement		
Revenue	335.7	108.4
Gross income/(loss)	86.3	35.3
EBITDA before special items	35.7	16.2
EBIT before special items and impairment of goodwill	0.5	4.1
EBIT	(248.7)	(50.1)
Net financial items	(20.1)	(7.3)
Income/(loss) for the year	(259.7)	(52.7)
Cash flow		
Cash flow from operating activities	(85.9)	4.1
Cash flow from investing activities	(177.2)	(930.5)
Cash flow from financing activities	235.6	974.1
Purchase of property, plant and equipment	(14.1)	(7.9)
Free cash flow	(100.0)	(926.4)
Free cash flow before special items and acquisitions	80.0	45.3
Balance sheet		
Total assets	1,220.7	1,176.0
Invested capital	1,065.9	1,058.8
Net working capital	143.5	84.7
Equity	555.9	681.8
Net interest-bearing debt	434.0	265.6

	Sep 1, 2021- Aug 31, 2022	Sep 18, 2020- Aug 31, 2021
Financial ratios		
Gross margin, %	25.7	32.6
EBITDA margin before special items, %	10.6	14.9
EBIT margin before special items and impairment of goodwill, %	(0.1)	3.8
EBIT, %	(74.1)	(46.2)
Other key figures		
Average number of employees (FTEs)	836	643
Pro forma net revenue*	430.9	n/a
Pro forma EBITDA before special items*	64.7	n/a

* Pro forma net revenue and pro forma EBITDA before special items illustrate on a proforma basis how the net revenue and EBITDA before special items would have looked if the acquisitions of the Group during 2021/22 had been a part of the Group for the full financial year starting 1 September 2021 and not from the actual acquisition date. Due to the development of the business and the carve-out of Natural Colors division from Chr. Hansen, comparable financial figures are not available for the entire period 2020/21.

The calculation principles related to key figures and financial ratios are presented in note 1.1.

Statement on corporate responsibility

This section constitutes Oterra's statutory reporting on corporate responsibility and gender distribution in management cf. §99a and §99b in the Danish FSA.

Business Model

Our focus is to offer the industry's most comprehensive product portfolio of natural colors for food and beverage applications, which includes pet food applications. We also have a portfolio of nutraceutical ingredients and juices coming from the same raw material sources as our natural colors. We serve our customers globally.

As a global company developing natural colors, we play an important role in creating a food system that is sustainable and prepared to feed a growing population while simultaneously minimizing the climate impact. Oterra has extensive know-how covering the entire value chain from raw material sourcing, extraction of pigments, to product formulation and sales and marketing. Our ingredients usually only constitute a small part of a product, but their functionality has a large impact and is strategically critical to the final consumer product.

Environment

Sustainability is at the heart of everything we do at Oterra. Our name – which loosely comes from the Latin words 'of the earth' also reflects what we do – selling natural products. As such, it is not a surprise that climate action and responsible consumption are core parts of our sustainability strategy – with activities from breeding and farming, to transport and yields in efficiency in the plants all on the agenda. As part of the ongoing work to consolidate our ESG strategy, we are identifying KPIs, creating baselines and setting ambitious targets for all issues that have been identified as material to the business by its stakeholders, covering amongst others GHG emissions, employee health and safety, diversity and inclusion and supply chain management. More details will be published in 2023.

Furthermore, Oterra has a significant impact on suppliers and farmers around the world as we partner for better solutions. Material risks include the potential negative climate and eco-system impacts in our supply chain caused by e.g., energy consumption and pollution. During our first years as a standalone company, we have focused on building the foundation for our future.

Our ambition at Oterra is to align the entire business to The Paris Agreement. We have already established the greenhouse gas 'GHG' footprint from the original Chr. Hansen Natural Colors business and are now in the process of getting our reduction targets approved by the SBTi (Science Based Targets initiative)[3]. The Scope 2 emissions identified through this exercise have been offset via Energy Attribute Certificates (EACs). Further opportunities to reduce energy consumption have been identified via a comprehensive energy audit and are in the process of being implemented. We have also implemented a new IT platform for environmental reporting, with 2020 baseline data reviewed by KPMG dated March 18, 2022.

In November 2022, we onboarded a dedicated Global Sustainability Lead who will drive the implementation and execution of Oterra's sustainability strategy. Oterra is looking forward to continuing the collaboration with internal and external stakeholders to drive ESG and climate improvements.

Human rights

Oterra is committed to being a socially responsible partner and as such, we respect and promote human rights in our relationships with all stakeholders. As a global company we strive to be an active and responsible partner in our respective local communities and in our business conduct. This means we uphold global standards which include, but are not limited to, equal opportunity and non-discrimination, forced labor and child labor, working time and remuneration, freedom of association and collective bargaining, health, safety, security, and respect for privacy.

We exercise our influence by conducting our business operations in ways that seek to respect, protect, and promote the full range of human rights described in all local and international conventions, rules, and regulations. We believe human rights are a key part of the value chain and play a fundamental role in ensuring the company positively impacts human rights. We source from a wide range of suppliers globally and as such, there is a risk related to the possible employment of suppliers who do

[3] The GHG footprint for acquired companies will be added subsequently and targets updated accordingly.

not comply with national law and internationally recognized standards and conventions. In 2022, all contracted direct suppliers have been informed of our supplier guiding principles and have signed the recognition of Oterra's human rights principles. In the current financial period, we have not detected any human rights violations in our supply chain.

In the coming year, we will join the UN Global Compact and thereby increase our commitments to ensure transparency on our progress within human rights matters.

Social and staffing

Oterra believes that the best possible social and staffing conditions are key to achieving our goals and ambitions. As a knowledge-based group there is a risk associated with attracting and retaining the right competences. Therefore attracting, engaging, developing, and retaining the best qualified and performing employees is our greatest focus.

We are committed to open dialogue and invite feedback from all levels of our organization using the employee engagement platform and survey – Peakon. We utilize this every other month, i.e., six times in the fiscal year 2021/22. We continue to have participation and engagement on the platform above the benchmark (average participation between 75-85%), and the feedback we receive offers opportunities for meaningful development, both at organizational and local team level. We have a number of follow up initiatives post-survey including local townhalls, qualitative in-person follow up interviews, executive sponsorship for certain departments, leaders and countries, stress management training and individual coaching.

We continue to work on developing our organization to ensure we have the right strategic capabilities to win now and in the future. This includes continuous development opportunities for our leaders to ensure that they are well-equipped to deploy our strategy and ensure organizational health at all levels. We have engaged a group of Culture Champions consisting of 30 senior leaders globally, who lead this at a local level. These activities will continue having our focus in the coming years.

Safety

The safety and well-being of our employees is paramount, and as such while we are focused on ensuring business continuity, we also comply with strict safety measures. Our focus on continually improving safety is an integral part of our ways of working, and we are committed to continuing our efforts to keep each other safe.

Putting safety first requires robust management systems, behavior-based training, and consistent and clear communications, as well as continually evaluating and improving processes to prevent accidents from happening. Oterra is the largest natural food color provider in the world and is committed to doing things the right way with the right mindset. We seek to ensure that our workers, contractors, communities, and ecosystems are not adversely impacted by our activities.

We know that Environment, Health and Safety (EHS) is the responsibility of everyone and is essential for our business success. Oterra is therefore committed to high standards of EHS performance and is building a comprehensive and sustainable EHS management system to meet the expectations of our stakeholders and communities, as well as ensure our business continuity.

Diversity

Oterra is a truly international company serving 120 markets globally, employing colleagues from more than 40 different nationalities, across more than 30 countries. As an equal opportunity employer, we are committed to respecting each other, building intercultural competencies, and ensuring a work environment where flexibility and work-life balance are key elements.

Oterra strives to create a culture that provides employees with equal opportunities in terms of personal and professional development. For us, it is not only important to have a diverse workforce on the surface, but we also want to be inclusive and ensure a deep sense of belonging for all. We bring together employees with a wide variety of backgrounds, skills, and cultures. Combining such a wealth of talent and resources creates a diverse and dynamic team that consistently drives our results. We are proud of the diversity of our workforce and continue to focus on inclusiveness in our ways of working.

Gender distribution in management

We work with diversity on a broad basis, but we do believe that gender is an important parameter to pay attention to. In 2022, our Board approved our Diversity and Inclusion Policy that outlines our commitment to achieving equal gender representation at a Board, Oterra Leadership Team, and senior leadership level over time. Equal representation is at least 40% representation of both men and women.

The Board of Directors of the Oterra Group consists of four professional board members, with a gender representation split of 50%-50% amongst our externally appointed board members, i.e., excluding EQT representation. Therefore, it retains equal gender representation as defined under the Danish law.

The distribution of those identifying as females is 27% within the Oterra Leadership Team (CEO -1) as of the end of 2022, and the distribution of female leaders at Oterra is 41%. At Oterra, 40% of our work force identifies as female. The definition of other managerial positions includes all employees with personnel responsibility and the Oterra Leadership Team includes the CEO and all direct reports of CEO.

When recruiting for leadership positions, we seek to secure a diverse slate of candidates, both when working with external search firms and when conducting searches internally. We also appoint a diverse interview panel from a gender, cultural, capability and geographical perspective, to ensure a fair and unbiased recruitment evaluation, decision and offer.

Data ethics

The digital environment is evolving and continuously revealing new and innovative ways of improving the operations of our company. However, with all the possibilities of a digital transformation comes responsibilities and an important focus on data ethics. Oterra is committed to the protection of privacy and to securing transparent and ethical data processing. We have a Data Ethics Policy that has been prepared in accordance with §99d of the Danish Financial Statements Act.

The purpose of the policy is to formally state Oterra's data ethics principles and describe the overall ways we process data, making it clear to our customers, suppliers, employees, visitors to our website, and other stakeholders, that we are dedicated to protecting their data. It is essential that these parties and the outside world trust our way of using data. This policy is supplemented by our Privacy Policy and Cookie Declarations. This Data Ethics policy applies to all companies in the Oterra Group.

Corruption and bribery

As a global company that operates in many geographical contexts where threats to business integrity may vary, it is essential that we continue to act in compliance, whether it be selling products, sourcing materials, or collaborating with external parties.

In 2021, we adopted a Global Code of Conduct to ensure that our employees know and act in accordance with our zero-tolerance position on corruption and bribery. We have also made an Anti-Corruption and Bribery Playbook which is available to all employees and outlines different possible scenarios they may encounter as well as how to act. Guidelines for gifts, hospitality, and entertainment have been implemented and are available for all employees in various languages.

Oterra's ambition is to be transparent and accountable in everything we do. We want to promote a culture based on open dialogue. Everyone must feel able to speak out about any serious and sensitive concerns. Oterra's Whistle-blower Portal enables all employees of Oterra, including temporary, permanent and contract employees, customers, suppliers, business partners and other stakeholders, to report any illegal/unethical misconduct or serious/sensitive concerns.

The Whistle-blower Portal is used to report serious violations or misconduct, or suspicions hereof, that may influence Oterra or the life or health of individuals, including violations, suspicions, and concerns. During the financial year, we have received two reports through the Whistle-blower Portal, both of which were thoroughly investigated by the Compliance Team. The investigations showed no serious violations of our Code of Conduct, including our position on corruption and bribery. As such they were deemed not to fall within the scope of the Whistle-blower policy but instead concerned other business matters.

Risk management

At Oterra, we view risk management as an integrated part of managing the company. We strive to make sure that we do business in a balanced way, assessing and managing both financial and non-financial risks to protect our employees, assets, and reputation. The Board of Directors reviews the risk exposure associated with Oterra's activities, including risk mitigating actions. Policies are adopted for areas of risk, and developments are monitored to ensure that identified risks are mitigated and accounted for, including strategic, operational, and financial risks.

Key risks

Financial

As a global business, Oterra is exposed to a number of financial risks relating to inflation, currency and interest rate fluctuations, funding, liquidity, credit, and counterparty risks.

Human rights

We source from a wide range of suppliers globally and as such there is a risk related to the possible employment of suppliers who do not comply with national law and internationally recognized standards and conventions.

Legal

Oterra is from time-to-time party to legal proceedings arising in the ordinary course of business. Our legal department is focused on analyzing possible risks in a timely manner and on mitigating them in an appropriate way using both internal and, if necessary, external capabilities. Despite Oterra's focus on these matters, the outcome of legal proceedings cannot be predicted with certainty.

Sourcing

Oterra's products are produced from natural raw materials and the company is therefore subject to agricultural risks and exposures that may affect the yield and availability of key raw materials. Furthermore, the company's production consumes energy that may fluctuate in price given the current political and global macro environment.

Staffing

As a knowledge-based group there is a risk associated with attracting and retaining the right competences. Furthermore, as a production company there is a mitigated risk of injuries during working hours.

Research and development

Innovation is an essential contributor to business growth. We work closely with our customers and our suppliers to develop both new products and new technologies, as well as optimizing existing technologies and new applications for our existing products. Our innovation portfolio is strictly managed to secure clear differentiated new value propositions across the value chain.

Oterra generally patents all technological innovation leading to new products of commercial value. The patents protect our investments in research and development and increase the value of our business. In addition, we make sure that our product technology and application methods are protected by a wide patent portfolio.

Product safety

The majority of Oterra's natural color products are sold to the food and beverage industry, as well as the pet food industry. Most products are used as components in our customers' end products, which are consumed as food or beverages. To ensure the highest product safety, Oterra has an extensive quality assurance and food safety program in place, which covers the entire value chain, from the sourcing of raw materials until the finished products are delivered to customers. The risk assessment performed in the food safety program includes an evaluation of the use of our products in customers' end products.

Our quality management system is the backbone for continuously improving our performance and meeting customer expectations and regulatory requirements regarding our products and services. Product safety is one of our top priorities. We want to deliver products that can safely be used as an ingredient in final consumer products, and will under no circumstances compromise on the safety of a product.

Statement of the Board of Directors and the Executive Board

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of Oterra Holding ApS for the financial year ended August 31, 2022.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position at August 31, 2022 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and cash flows for the financial year September 1, 2021 – August 31, 2022.

In our opinion, the Management's review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of their results of operations for the year, and of the financial position of the Group and the Parent Company, as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hørsholm, January 30, 2023.

Executive Board:

Odd Erik Hansen
CEO

Board of Directors:

Cornelis de Jong
Chair

Mads Munkholt Ditlevsen
Vice Chair

Xiangwei Gong

Christoffer Erik Mathies Lorenzen

Anne Louise Eberhard

Carl Martin Borcher

Independent auditor's report

To the shareholders of Oterra Holding ApS

Report on the audit of the consolidated financial statements and the parent company financial statements

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Oterra Holding ApS for the financial year 1 September 2021 – 31 August 2022, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 August 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 September 2021 – 31 August 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Independent auditor’s report (continued)

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report (continued)

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, January 30, 2023

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Torben Bender	Mads Vinding
State Authorized	State Authorized
Public Accountant	Public Accountant
mne21332	mne42792

Consolidated income statement

EUR millions	Note	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Revenue	2.1	335.7	108.4
Cost of sales	2.2, 2.3	(249.4)	(73.1)
Gross income/(loss)		**86.3**	**35.3**
Research and development expenses	2.2, 2.3	(23.2)	(9.7)
Sales and marketing expenses	2.2, 2.3	(28.6)	(11.8)
Administrative expenses	2.2, 2.3, 2.4	(34.0)	(9.7)
Operating income/(loss) (EBIT) before special items and impairment of goodwill		**0.5**	**4.1**
Impairment of goodwill	3.1	(205.0)	-
Special items	2.5	(44.2)	(54.2)
Operating income/(loss) (EBIT)		**(248.7)**	**(50.1)**
Financial income	2.6	8.5	1.1
Financial expenses	2.6	(28.6)	(8.4)
Income/(loss) before tax		**(268.8)**	**(57.4)**
Income taxes	2.7	9.1	4.7
Income/(loss) for the year		**(259.7)**	**(52.7)**
The income/(loss) for the year *is attributable to:*			
Owners of Oterra Holding ApS		(263.9)	(53.1)
Non-controlling interests		4.2	0.4
Income/(loss) for the year		**(259.7)**	**(52.7)**

Consolidated statement of comprehensive income

EUR millions	Note	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Income/(loss) for the year		(259.7)	(52.7)
Items that will not be reclassified subsequently to the income statement			
Remeasurements of defined benefit plans	3.6	0.0	(0.2)
Income tax relating to these items		0.0	0.0
Items that will be reclassified subsequently to the income statement when specific conditions are met			
Currency translation of foreign operations		0.9	0.0
Value adjustment of hedge instruments for the year		8.8	0.0
Income tax relating to these items		(1.9)	0.0
Other comprehensive income/(loss) for the year		**7.8**	**(0.2)**
Total comprehensive income/(loss) for the year		**(251.9)**	**(52.9)**
The total comprehensive income/(loss) for the year *is attributable to:*			
Owners of Oterra Holding ApS		(252.1)	(53.3)
Non-controlling interests		0.2	0.4
Total comprehensive income/(loss) for the year		**(251.9)**	**(52.9)**

Consolidated balance sheet

EUR millions	Note	2022 Aug	2021 Aug
ASSETS			
Non-current assets			
Goodwill	3.1	363.7	499.9
Other intangible assets	3.1	433.2	383.7
Property, plant and equipment	3.2, 3.3	125.5	90.5
Other long-term assets		24.4	0.7
Deferred tax	2.7	5.7	1.6
Total non-current assets		**952.5**	**976.4**
Current assets			
Inventories	3.4	120.3	71.4
Trade receivables	3.5, 4.3	111.3	56.8
Tax receivables	4.3	1.9	3.7
Other receivables	4.3	13.1	15.4
Prepayments		2.1	4.9
Cash at bank	4.3	19.5	47.4
Total current assets		**268.2**	**199.6**
Total assets		**1,220.7**	**1,176.0**

EUR millions	Note	2022 Aug	2021 Aug
EQUITY AND LIABILITIES			
Equity			
Share capital	4.1	0.1	0.1
Other reserves		11.6	(0,2)
Retained earnings		536,0	673,9
Non-controlling interests		8.2	8.0
Total equity		**555.9**	**681.8**
Non-current liabilities			
Employee benefit obligations	3.6	1.5	1.2
Deferred tax	2.7	79.7	83.4
Borrowings	4.3	405.0	296.3
Lease liabilities	4.3	23.9	10.5
Provisions	3.7	0.3	-
Total non-current liabilities		**510.4**	**391.4**
Current liabilities			
Borrowings	4.3	21.2	2.1
Lease liabilities	4.3	3.4	4.1
Trade payables	4.3	88.1	43.5
Tax payables	4.3	3.3	8.8
Prepayments		-	0.4
Other payables	4.3	38.4	43.9
Total current liabilities		**154.4**	**102.8**
Total liabilities		**664.8**	**494.2**
Total equity and liabilities		**1,220.7**	**1,176.0**

Consolidated cash flow statement

EUR millions	Note	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Operating income/(loss) before special items and impairment of goodwill		0.5	4.1
Special items	2.5	(44.2)	(54.2)
Non-cash adjustments	5.1	24.2	19.3
Change in working capital	5.2	(47.1)	40.6
Interest paid		(14.8)	(2.7)
Taxes paid		(4.5)	(3.0)
Net cash flow from operating activities		**(85.9)**	**4.1**
Acquisition of businesses, net of cash acquired	5.4	(135.8)	(917.5)
Investments in other long-term assets		(12.5)	-
Acquisition of intangible assets		(22.3)	(5.1)
Acquisition of property, plant and equipment		(14.1)	(7.9)
Sale of property, plant and equipment		7.5	-
Cash flow from investing activities		**(177.2)**	**(930.5)**
Proceeds from issues of shares		126.0	727.1
Proceeds from borrowings	5.3	218.8	282.8
Repayment of borrowings	5.3	(104.6)	(34.4)
Repayment of lease liabilities	5.3	(4.6)	(1.4)
Cash flow from financing activities		**235.6**	**974.1**
Cash and cash equivalents at the beginning of the financial year		47.4	-
Unrealized exchange gains/(losses) included in cash and cash equivalents		(0.5)	(0.3)
Net cash flow for the year		(27.4)	47.7
Cash and cash equivalents at August 31		**19.5**	**47.4**

Consolidated statement of changes in equity

EUR millions	Note	Share capital	Other reserves	Retained earnings	Non-controlling interests	Total equity
2022						
Equity at September 1, 2021		0.1	(0.2)	673.9	8.0	681.8
Income/(loss) for the year		-	-	(263.9)	4.2	(259.7)
Other comprehensive income/(loss) for the year		-	11.8	-	(4.0)	7.8
Total comprehensive income/(loss) for the year		-	**11.8**	**(263.9)**	**0.2**	**(251.9)**
Capital increase	4.1	-		126.0	-	126.0
Equity at August 31, 2022		**0.1**	**11.6**	**536.0**	**8.2**	**555.9**
2021						
Equity at September 18, 2020		-	-	-	-	-
Income/(loss) for the year		-	-	(53.1)	0.4	(52.7)
Other comprehensive income/(loss) for the year		-	(0.2)	-	-	(0.2)
Total comprehensive income/(loss) for the year			**(0.2)**	**(53.1)**	**0.4**	**(52.9)**
Capital increase	4.1	0.1	-	727.0	-	727.1
Non-controlling interests arising on a business combination		-	-	-	7.6	7.6
Equity at August 31, 2021		**0.1**	**(0.2)**	**673.9**	**8.0**	**681.8**

The Board of Directors has decided not to propose an ordinary dividend for the financial year ending August 31, 2022 or for the period September 18, 2020 – August 31, 2021.

Section 1

Note 1.1

Accounting policies

BASIS OF PREPARATION

The consolidated financial statements of the Oterra Group ("Oterra" or "the Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU, and additional requirements of the Danish Financial Statements Act applying to large reporting class C entities.

The financial statements for the year ended 31 August 2022 and 31 August 2021 comply with IFRS applicable as of August 31, 2022 and 31 August 2021. The financial statements for the year ended 31 August 2021 are the first the Group has prepared.

Accounting policies are applied consistently with prior year.

GENERAL INFORMATION ON RECOGNITION AND MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis, except for the measurement of certain financial instruments at fair value.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The IASB has issued new or amended standards and interpretations that have not yet become effective and have, consequently, not been implemented in the consolidated financial statements for 2022.

The Group expects to adopt the new accounting standards, amendments, and interpretations, none of which is expected to have any significant impact on the consolidated financial statements, as they become mandatory.

PRESENTATION OF ACCOUNTING POLICIES

Where possible, the accounting policies for an accounting area are presented in the individual notes for that area. Accounting policies not directly related to an area covered by a note are presented below.

DEFINING MATERIALITY

The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes. There are substantial disclosure requirements throughout IFRS.

Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the intended users of the consolidated financial statements or not applicable.

TRANSLATION OF FOREIGN CURRENCIES

Translation from functional currency to presentation currency

The functional currency of the Parent Company is the Danish krone (DKK). However, due to the Group's international relations, the consolidated financial statements are presented in euros (EUR).

Items in the financial statements of each of the reporting entities of the Group are measured in the currency of the primary economic environment in which the entity operates (the functional currency).

Assets, liabilities, and equity items are translated from each reporting entity's functional currency into EUR at the balance sheet date. The income statements are translated from the functional currency into the presentation currency based on the average exchange rate for the individual months. Differences arising on the translation of equity at the beginning of the period and translation of the income statement from average rates to the exchange rate at the balance sheet date are recognized in other comprehensive income and presented as a separate reserve in equity.

Translation of transactions and amounts

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the transaction date.

Exchange adjustments arising due to differences between the transaction date rates and the rates at the payment date are recognized in financial income or financial expenses in the income statement. Receivables, payables, and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date.
Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date are recognized in financial income or financial expenses in the income statement.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Oterra Holding ApS (the Parent Company) and subsidiaries controlled by Oterra Holding ApS, which are prepared in accordance with the Group's accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with those applied by the Group.

Intercompany transactions, shareholdings, balances, and dividends as well as realized and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

Consolidated income statement

The consolidated income statement is presented based on costs classified by function.

Alternative performance measures

Oterra presents certain financial measures of the Group's financial performance, financial position and cash flows that are not defined according to IFRS.

These non-IFRS financial measures may not be defined and calculated by other companies using the same method and may not be comparable.

The financial measures should not be considered as a replacement for performance measures as defined under IFRS, but rather as supplementary information.

Calculation of key figures and financial ratios

EBITDA before special items	Operating income/(loss) adjusted for amortization, depreciation, impairment losses and special items
EBIT before special items and impairment of goodwill	Operating income/(loss) adjusted for special items and impairment of goodwill
EBIT	Operating income/(loss)
Invested capital	Intangible assets, property, plant and equipment adjusted for deferred gains on sale and lease back transactions, trade receivables and inventories less trade payables
Net working capital	Inventories and trade receivables less trade payables
Net interest-bearing debt	Borrowings from financial institutions and lease liabilities less cash at bank and cash equivalents
Free cash flow	Free cash flow is calculated as the sum of cash flows from operating activities and purchase of property, plant and equipment.
Free cash flow before special items and acquisitions	Free cash flow adjusted for cash effect of special items and acquisitions
Capital expenditure	Investments for the year in intangible assets and property, plant and equipment divided by revenue

Note 1.2

Significant accounting estimates and judgements

In preparing the consolidated financial statements, Management makes various accounting estimates and assumptions that form the basis of the presentation, recognition, and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgements are presented below.

In applying the Group's accounting policies, Management makes judgements that may significantly influence the amounts recognized in the consolidated financial statements. Determining the carrying amount of some assets and liabilities requires judgements, estimates and assumptions to be made concerning future events.

The judgements, estimates, and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which are inherently associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, either positively or negatively.

Assumptions about the future and estimation uncertainties at the balance sheet date are described in the notes when there is a significant risk of changes that could result in material adjustments to the carrying amounts of assets or liabilities within the next financial year.

Management considers the key accounting estimates and judgements used in the preparation of the consolidated financial statements to relate to the following:

- Note 2.5 Special items (judgement)
- Note 3.1 Goodwill (estimate)
- Note 5.4 Business combinations (judgement and estimate)

See the specific notes for further information on the key accounting estimates and assumptions applied.

Section 2

Note 2.1

Revenue

The table below shows the Group's revenue broken down by geographical region. The geographic segmentation of revenue is based on the customers' location.

Geographic allocation

EUR millions	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 – Aug 31, 2021
APAC	35.3	16.2
EEMEA	51.9	19.0
LATAM	30.9	11.8
North America	80.4	21.9
Western Europe	137.2	39.5
Total	**335.7**	**108.4**

ACCOUNTING POLICIES

Revenue

Revenue includes sales of goods and is recognized at an amount that reflects the consideration to which Oterra expects to be entitled.

Revenue from a straightforward sale of goods to customers is recognized at the point in time when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Rebates

For products sold at a discount, revenue is recognized based on the price specified in the contract, net of the estimated discount. Discounts are estimated based on historical data as well as forecasts. Estimated discounts are reassessed at the end of each reporting period.

Variable consideration related to rebates are recognized as revenue only to the extent that it is highly probably that a significant reversal of revenue will not occur subsequently.

Trade receivables

A trade receivable is recognized when the customer obtains control of the goods and an invoice is issued, as this is the point in time when the consideration is unconditional and only the passage of time is required before the payment is due. Typical payment terms are around 30-60 days, but there may be country-specific deviations from typical payment terms.

Cost of sales

Cost of sales comprises the cost of products sold. Cost comprises the purchase price of raw materials, consumables and goods for resale, direct labor costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration, and management of factories.

Note 2.2

Amortization, depreciation, and impairment losses by function

EUR millions	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Amortization		
Intangible assets		
Research and development costs	14.3	5.8
Sales and marketing expenses	7.2	2.4
Administrative expenses	2.3	-
Total	**23.8**	**8.2**
Depreciation		
Property, plant and equipment		
Cost of sales	10.7	2.5
Research and development costs	0.2	0.1
Sales and marketing expenses	0.2	0.2
Administrative expenses	0.3	1.2
Total	**11.4**	**4.0**
Impairment of intangible assets		
Impairment of goodwill	205.0	-
Total	**205.0**	-
Total amortization, depreciation and impairment	**240.2**	**12.2**

Total amortization, depreciation and impairment amounts to EUR 240.2 million and includes EUR 225.9 million attributable to the following:

(i) impairment of goodwill amounting to EUR 205.0 million; and

(ii) amortization of intangible assets acquired in business combinations equal to 20.9 million (2021: EUR 7.3 million).

The remaining portion of intangible assets amortization amounting to EUR 2.9 substantially relates to development projects.

ACCOUNTING POLICIES

The accounting policies are described in notes 3.1, 3.2 and 3.3.

Note 2.3

Staff costs

EUR millions	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 – Aug 31, 2021
Wages and salaries, etc.	55.0	21.1
Pension expenses	4.1	1.4
Social security	6.2	1.9
Total	**65.3**	**24.4**
Included in:		
Cost of sales	27.2	8.5
Research and development	6.7	2.7
Sales and marketing expenses	15.9	7.8
Administrative expenses	14.3	3.4
Special items	1.2	2.0
Total	65.3	24.4
Average number of employees (FTEs)	**836.0**	**643.0**

EUR millions	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Key management personnel		
Employee benefits	1.0	0.5
Pensions	0.1	-
Total	**1.1**	**0.5**

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Total fees to key management personnel, comprising members of the Board of Directors and the CEO, amounted to EUR 1.1 million (EUR 0.5 million for the period Sept 18th September 18, 2020, to August 31, 2021).

Remuneration to the Executive Board is disclosed together with remuneration to the Board of Directors in accordance with section 98 B(3) of the Danish Financial Statements Act.

KEY MANAGEMENT PERSONNEL

Employee benefits include fixed-base salary and accrued cash bonuses designed to incentivize individual performance and the achievement of a number of predefined short-term functional and individual business targets.

If an individual is dismissed, the ordinary salary is paid for a 6-month notice period. In the event of change of control, individuals do not receive any additional compensation.

As of August 31, 2022 and 2021, key management personnel consisted of the CEO and the members of the Board of Directors.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Total fees to key management personnel, comprising members of the Board of Directors and the CEO, amounted to EUR 1.1 million (EUR 0.5 million for the period Sept 18th September 18, 2020, to August 31, 2021).

Remuneration to the Executive Board is disclosed together with remuneration to the Board of Directors in accordance with section 98 B(3) of the Danish Financial Statements Act.

Note 2.4

Fees to auditors

EUR millions	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
EY		
Statutory audit	0.7	0.3
Other services	0.7	0.1
Total	**1.4**	**0.4**

Note 2.5

Special items

EUR millions	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Business combinations	16.1	40.6
Build-up activities in acquired businesses	27.1	12.0
Restructuring of acquired activities	1.0	1.6
Total	**44.2**	**54.2**

SIGNIFICANT ACCOUNTING JUDGEMENTS

The use of special items entails Management judgement in the separation from other items in the income statement. Management considers such items in order to present a distinction between the operating activities, build-up, and restructuring of the Group carried out to enhance the future earnings potential. All income and costs presented under "Special items" are directly derived from the books and records monitored by Management to ensure that only amounts meeting the criteria of being of a non-recurring nature and not related to recurring operations are included.

ACCOUNTING POLICIES

Special items comprise amounts that are not considered to be attributable to recurring operations, such as income and expenses related to M&A activities and fair value adjustments to contingent considerations relating to business combinations resulting from events after the acquisition date. Costs related to build-up activities or significant organizational changes in relation to acquired activities are also considered special Items.

Note 2.6

Financial income and expenses

EUR millions	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Financial income		
Foreign exchange gains	8.5	1.1
Total	**8.5**	**1.1**

EUR millions	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Financial expenses		
Interest expenses	19.4	4.9
Interest on lease liabilities	0.1	0.1
Foreign exchange losses	8.6	2.6
Other financial expenses including amortized costs	0.5	0.8
Total	**28.6**	**8.4**

ACCOUNTING POLICIES

Financial income and expenses comprise interest income and interest expenses, commission (the interest component of payments under finance leases) surcharges and refunds under Denmark's on-account tax scheme and exchange gain / losses onc items denominated in foreign currencies.

Note 2.7

Income taxes and deferred tax

EUR millions	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Income taxes		
Current tax for the year	(8.8)	(3.4)
Change in deferred tax concerning the income/(loss) for the year	12.7	8.1
Prior year adjustments	3.3	-
Tax on the income/(loss) for the year	**7.2**	**4.7**
Tax in the income statement	**9.1**	**4.7**
Tax on other comprehensive income	**(1.9)**	**-**

EUR millions	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Reconciliation of tax rate		
Danish tax rate	22.0%	22.0%
Deviation from the Danish tax rate – taxation of foreign operations	(1.1%)	(0.3%)
Non-taxable income and non-deductible expenses	(18.6%)	(11.7%)
Prior year adjustments	1.2%	0.0%
Valuation allowance of deferred tax assets	(0.2%)	(1.8%)
Other taxes	0.0%	0.0%
Effective tax rate	**3.3%**	**8.2%**
Tax for the year	**9.1**	**4.7**

EUR millions	2022	2021
Deferred tax		
Deferred tax at Sep 1, 2021 and Sep 18, 2020	81.8	-
Prior year adjustments	4.7	-
Additions from acquisitions	0.4	89.9
Change in deferred tax – recognized in the income statement	(12.7)	(8.1)
Change in deferred tax – recognized in comprehensive income	-	-
Currency translation	(0.2)	-
Deferred tax at August 31	**74.0**	**81.8**
Deferred tax assets	(5.7)	(1.6)
Deferred tax liabilities	79.7	83.4
Deferred tax at August 31	**74.0**	**81.8**
Specification of deferred tax		
Tangible and intangible assets	84.3	84.7
Non-current assets	-	1.3
Liabilities	(2.3)	-
Tax loss carry-forwards	(11.0)	(5.2)
Valuation allowance	3.0	1.0
Total deferred tax at August 31	**74.0**	**81.8**
Amounts due after 12 months, estimated	**74.0**	**81.8**

ACCOUNTING POLICIES

Current tax liabilities and receivables are recognized in the balance sheet at the amounts calculated on the taxable income for the year, adjusted for tax on taxable incomes for prior years and for taxes paid on account.

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Apart from assets acquired as part of business combinations, deferred tax is not recognized in respect of temporary differences concerning goodwill. When the computation of the tax base may be performed according to different tax rules, deferred tax is measured on the basis of Management’s intended use of the asset or settlement of the liability.

Section 3

Note 3.1

Intangible assets

EUR millions	Goodwill	Technology and software	Customer relations	Development projects	Intangible assets in progress	Total
2022						
Cost at September 1, 2021	499.9	267.1	110.0	5.9	8.9	891.8
Additions from acquisitions, note 5.4	59.0	10.2	42.3	-	-	111.5
Additions	-	20.7	-	0.4	1.2	22.3
Remeasurement	3.3	(2.0)	(1.3)	-	-	-
Transferred to property, plant and equipment	-	-	-	-	(4.1)	(4.1)
Exchange rate adjustments	6.5	0.8	5.1	-	-	12.4
Cost at August 31, 2022	568.7	296.8	156.1	6.3	6.0	1,033.9
Amortization and impairment at September 1, 2021	-	(5.7)	(2.1)	(0.4)	-	(8.2)
Amortization and impairment	(205.0)	(15.4)	(7.1)	(1.3)	-	(228.8)
Disposals	-	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-	-
Amortization and impairment at August 31, 2022	**(205.0)**	**(21.1)**	**(9.2)**	**(1.7)**	**-**	**(237.0)**
Carrying amount at August 31, 2022	**363.7**	**275.7**	**146.9**	**4.6**	**6.0**	**796.9**
2021						
Cost at September 18, 2020	-	-	-	-	-	-
Additions from acquisitions, note 5.4	499.9	267.1	110.0	5.9	3.8	886.7
Additions	-	-	-	-	5.1	5.1
Disposals	-	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-	-
Cost at August 31, 2021	**499.9**	**267.1**	**110.0**	**5.9**	**8.9**	**891.8**
Amortization and impairment at September 18, 2020	-	-	-	-	-	-
Amortization and impairment	-	(5.7)	(2.1)	(0.4)	-	(8.2)
Disposals	-	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-	-
Amortization and impairment at August 31, 2021	-	**(5.7)**	**(2.1)**	**(0.4)**	**-**	**(8.2)**
Carrying amount at August 31, 2021	**499.9**	**261.4**	**107.9**	**5.5**	**8.9**	**883.6**

Note 3.1

Intangible assets

(continued)

GOODWILL

Goodwill amounted to EUR 363.7 million as of August 31, 2022 (EUR 499,9 million as of August 31, 2021) and decreased by EUR 136.2 million primarily due to the impairment loss recognized as of August 31, 2022 as a result of the impairment test carried out by the Group, partially offset by the EUR 59,0 million increase from the acquisition of Diana Food SAS and Food Ingredient Solutions, LLC completed in December 2021 (please refer to note 5.4 for further details) and, net exchange differences arising during the financial year amounting to EUR 6,5 million.

For the purpose of the impairment test, Oterra Group is considered the Group´s only cash-generating unit ("CGU").

Impairment test was performed as of August 31, 2022 by comparing the carrying amount and the recoverable amount of the CGU. The recoverable amount is based on the "value in use" as the present value of the future cash flows expected to be derived from the CGU, since there was no basis for making a reliable estimate of fair value less cost of disposal.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions
The calculation of value in use is most sensitive to the following assumptions:

- EBITDA
- Discount rate (WACC)
- Inflation
- Growth rate estimates

Further to the above, more sensitive assumptions, management assess what the level for working capital and CAPEX should be in the scenarios considered.

The period applied prior to the terminal period is 10 years and consist of a five-year budget period followed by a five-year normalization period due to the high growth in the budget period.

EBITDA
Overall, average revenue growth of 7.5% is expected in the budget and normalization period. For EBITDA before special items, the corresponding increase is expected to be higher considering the expected growth and upside from synergies.

The expected future cash flows covering the period from 2023-2027 have been derived from the Group´s business plan. These cash flows relate to the CGU in its condition when preparing the financial statements and exclude the estimated cash flow that might arise from restructuring plans or other structural changes. A further normalization period of five years has been applied prior to the terminal period, in order to normalize the expected growth in the budget period.

Discount rate (WACC)
Discount rates represents the current market assessment of the risks taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity. The cost of equity is derived from the expected return on investment by the Group´s investors. The cost of debt is derived from borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

The expected future cash flow has been discounted using a WACC of 10.3% (8.0% in 2021)

Inflation
Inflation applied in the budget period 2023-2027 is on average 2.4%.

Growth rate estimates
Average growth rates expected in the budget and normalization period is 7.5% and 2% in the terminal period respectively.

The assumptions used in this process represent management´s best estimate for the period under consideration.

Net impairment loss recognized during the year, as a decrease of the "goodwill" line item, amounted to EUR 205 million and it has been accounted through a separate income statement line item "impairment of goodwill".

The events and circumstances that led to the recognition of the impairment loss are primarily attributable to the increased cost of capital and other macroeconomic circumstances.

Sensitivity analysis

A sensitivity analysis covering key assumptions was performed in connection with the impairment test. The recorded impairment of EUR 205 million on goodwill for Oterra Group would have been EUR 110 million higher, had the applied EBITDA-margin decreased by 2%-points compared to managements estimate.

An increase of the applied WACC of 1%-point would have increased the recorded impairment by EUR 120 million. Had Management's estimated growth in the terminal period been 1% rather than the 2% applied, the impairment would have been EUR 59 million higher.

The Group constantly monitors the latest government legislation also in relation to climate-related matters. At this time, no legislation has been passed that will impact the Group. The Group will adjust the key assumptions used in value-in-use calculations and sensitivity if changes in assumptions should be required.

PATENTS, TRADEMARKS, KNOW-HOW, CUSTOMER RELATIONS ETC.

In 2022, the Group acquired intangible assets through acquisitions amounting to EUR 52,5 million (2021: EUR 386.8 million), which primarily related to technology/know-how and customer relations.

The remaining useful lives of patents, trademarks, and know-how are ranging from 5-20 years.

DEVELOPMENT PROJECTS

Completed development projects and development projects in progress comprise development and testing of new strains for natural colors, production techniques as well as SAP ERP.

The remaining useful life of development projects is ranging from 3-20 years.

SOFTWARE

Software comprises expenses for acquiring software licenses. The value of the recognized software has been compared to the expected value in use.

The remaining useful life of software is ranging from 5-10 years.

KEY ACCOUNTING ESTIMATES

Goodwill is tested at least annually for impairment. The recoverable amount is based on a value-in-use calculation compared to the carrying amount of goodwill. Key assumptions, when calculating the future cash flows used, are based on budgets and Management's estimated development for the following five years including estimated revenue growth, EBITDA, working capital, CAPEX, and the discount rate applied (WACC). Assumptions are tested for sensitivity.

ACCOUNTING POLICIES

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired company.

Research expenses are recognized in the income statement as incurred. Development costs are recognized as intangible assets if the costs are expected to generate future economic benefits.

Costs related to development and implementation of substantial software and IT infrastructure are capitalized and amortized over the expected useful lives of the assets. Software obtained through a Software-as-a-Service (SaaS) arrangement is capitalized to the extent the criteria for capitalization are met and amortized over the contract period.

Finished development projects are reviewed at the time of completion and annually to determine it there is any indication of impairment. If so, an impairment test is carried out for the individual development projects. Development projects in progress are tested annually. The impairment test is performed based on factors such as the future use of the project, the fair value of estimated future earnings or savings, interest rates, and risks.

For development projects in progress, Management estimates on an ongoing basis whether each individual project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated based on technical and commercial criteria. Trademarks, patents, and customer relations acquired are recognized at cost and amortized over the expected useful lives of the assets.

Other intangible assets are measured at cost less accumulated amortization and impairment losses. An impairment test is carried out if there are any indications of impairment.

Borrowing costs in respect of construction of assets are capitalized when directly attributable to the development of the asset, and the development period is substantial.

Amortization is carried out systematically over the expected useful lives of the assets:

- Patents, trademarks, know-how, customer relations etc. 5-20 years
- Software 5-10 years
- Development projects 3-20 years

No other Intangible assets, besides Goodwill, has indefinite lives.

Note 3.2

Property, plant and equipment

EUR millions	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2022					
Cost at September 1, 2021	33.3	23.1	7.0	31.1	94.5
Additions from acquisitions, note 5.4	3.6	8.8	0.2	0.7	13.3
Additions	17.1	2.9	0.9	11.2	32.1
Disposals	(2.2)	(2.1)	(0.5)	(8.0)	(12.8)
Transferred	0.3	4.5	0.1	(4.9)	-
Transferred from intangible assets	-	-	-	4.1	4.1
Exchange rate adjustments	1.8	1.0	0.5	5.5	8.8
Cost at August 31, 2022	**53.9**	**38.2**	**8.2**	**39.7**	**140.0**
Depreciation and impairment at September 1, 2021	(1.7)	(1.6)	(0.7)	-	(4.0)
Depreciation and impairment	(4.6)	(6.2)	(0.6)	-	(11.4)
Disposals	0.1	1.5	0.1	-	1.7
Exchange rate adjustments	(0.4)	(0.3)	(0.1)	-	(0.8)
Depreciation at August 31, 2022	**(6.6)**	**(6.6)**	**(1.3)**	**-**	**(14.5)**
Carrying amount at August 31, 2021	**47.3**	**31.6**	**6.9**	**39.7**	**125.5**
2021					
Cost at September 18, 2020	-	-	-	-	-
Additions from acquisitions, note 5.4	25.9	22.2	5.6	24.8	78.5
Additions	7.4	0.9	1.4	6.3	16.0
Disposals	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-
Cost at August 31, 2021	**33.3**	**23.1**	**7.0**	**31.1**	**94.5**
Depreciation and impairment at September 18, 2020	-	-	-	-	-
Depreciation and impairment	(1.7)	(1.6)	(0.7)	-	(4.0)
Disposals	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-
Depreciation at August 31, 2021	**(1.7)**	**(1.6)**	**(0.7)**	**-**	**(4.0)**
Carrying amount at August 31, 2021	**31.6**	**21.5**	**6.3**	**31.1**	**90.5**

The fair values of PPE at year-end are not considered significantly different from their carrying values

Note 3.2

Property, plant and equipment (continued)

ACCOUNTING POLICIES

Items of property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, plant and equipment (PP&E) in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to preparing the asset for use, and re-establishment expenses, provided that a corresponding provision is made at the same time. Borrowing costs for the construction phase of assets of PP&E are capitalized when directly attributable to the construction and the construction period is substantial.

The useful lives of the individual groups of assets are estimated as follows:

- Buildings 25-50 years
- Plant and machinery 5-20 years
- Other fixtures and equipment 3-10 years

Land and property, plant and equipment in progress are not depreciated. Depreciation is applied on a straight-line basis. Gains and losses on the disposal of property, plant and equipment are recognized in the income statement under other operating income and other operating expenses.

Please refer to note 3.3 for accounting policies regarding leases.

Note 3.3

Leases

EUR millions	2022	2021
Lease assets		
Land and buildings	26.8	13.0
Plant and machinery	0.9	0.1
Other fixtures and equipment	1.5	1.2
Carrying amount at August 31	**29.2**	**14.3**
Additions on lease assets	18.0	16.1

Change in right-of-use assets are primarily attributable to additions amounting to EUR 18.0 million and the combined effects of the depreciation expense for the year and foreign exchange.

Lease liabilities are classified as part of borrowings in the balance sheet. For further information related to lease liabilities, please refer to note 4.3 and note 5.3.

The following are the amounts recognized in profit or loss and cash flow statement:

EUR millions	2022	2021
Depreciation expense of right-of-use assets	3.8	1.6
Interest expense on lease liabilities	0.1	0.1
Expense relating to short-term leases and low-value assets	0.1	0.1
Total amount recognized in the profit or loss	**4.0**	**1.8**
Total amount recognized in the cash flow statement	**4.6**	**(1.4)**

Oterra has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with Oterra's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

ACCOUNTING POLICIES

Lease assets are "right-of-use assets", which is a contract or part of a contract that conveys the lessee's right to use an asset for a period of time. Lease assets are initially measured as the present value of future fixed lease payments plus upfront payments and/or other initial direct costs incurred, less any lease incentives received. If, on the inception of the lease, it is reasonably certain that an extension or purchase option will be exercised, future lease payments will be included.

Lease liabilities are measured using the Group's average incremental borrowing rate.

Lease assets are classified alongside owned assets of a similar type under "Property, plant and equipment".

Lease assets are depreciated using the straight-line method over the lease term. Lease assets are tested when there is an indication of impairment.

Short-term leases and leases of low value are recognized as expenses in the income statement on a straight-line basis over the lease term.

Oterra's portfolio of leases includes land, buildings, cars, and equipment.

Note 3.4

Inventories

EUR millions	2022	2021
Inventory before write-down	122.8	78.3
Write-down	(2.5)	(6.9)
Total	**120.3**	**71.4**

EUR millions	2022	2021
Raw materials and consumables	44.1	21.6
Work in progress	46.1	36.3
Finished goods and goods for resale	30.1	13.5
Total	**120.3**	**71.4**

EUR millions	2022	2021
Indirect production costs included in "Cost of sales"	6.4	6.0
Changes in inventory write-downs		
Write-downs at Sep 1, 2021 and Sep 18, 2020	(6.9)	-
Effects from acquisitions	-	(6.5)
Write-downs during the period	(1.2)	(0.4)
Reversal of write-downs	4.9	-
Utilization of write-downs	0.7	-
Inventory write-down at August 31	**(2.5)**	**(6.9)**

ACCOUNTING POLICIES

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of goods for resale and raw materials and consumables comprises the purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising costs incurred to bring the product to its current stage of completion and location. Costs include the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries, maintenance and depreciation of production machinery, buildings and equipment, as well as production administration and management.

Note 3.5

Trade receivables

Trade receivables classified at amortized cost

EUR millions	2022	2021
Aging of trade receivables		
Not due	69.9	43.6
0-30 days overdue	12.6	6.8
31-60 days overdue	8.2	3.0
61-120 days overdue	11.9	2.2
> 120 days overdue	9.9	1.2
Total trade receivables	**112.5**	**56.8**

EUR millions	2022	2021
Changes in allowances for trade receivables		
Allowances at Sep 1, 2021 and Sep 18, 2020	-	-
Additions for the period	(1.2)	-
Reversals	-	-
Losses realized	-	-
Allowances at August 31	**(1.2)**	**-**

Trade receivables originating from certain customers are assigned on a non-recourse basis as a part of factoring agreement. Thus, these trade receivables are held for sale to a third party.

ACCOUNTING POLICIES

Trade receivables measured at fair value through profit or loss

Trade receivables not held by Oterra with the purpose of collecting the contractual cashflows but are held for sale are classified at fair value through profit or loss. No expected credit losses are recognized on these trade receivables.

Trade receivables which are held for sale are derecognized when substantially all risks and rewards of ownership are transferred.

Trade receivables measured at amortized cost

Trade receivables held by Oterra with the purpose of collecting contractual cashflows are measured at amortized cost less allowances for lifetime expected credit losses.

The Group applies the simplified approach to measuring expected credit losses under IFRS 9, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The allowance for expected credit losses for trade receivables is based on historical credit loss experience combined with forward-looking information on macroeconomic factors affecting the credit risk. The expected loss rates are updated at every reporting date.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days overdue. Furthermore, an allowance for lifetime expected credit losses for trade receivables is measured on initial recognition.

Trade receivables are written off when all possible options have been exhausted and there are no reasonable expectations of recovery. The cost of allowances for expected credit losses and write-offs for trade receivables are included in “Sales and marketing expenses”.

Note 3.6

Employee benefit obligations

EUR millions	2022	2021
Net employee benefit obligations		
Net obligations at Sep 1, 2021 and Sep 18, 2020	1.2	-
Additions from acquisitions	0.8	1.0
Remeasurements recognized in other comprehensive income	-	0.2
Employer contributions	(0.5)	-
Net employee benefit obligations at August 31	**1.5**	**1.2**

EMPLOYEE BENEFIT PLANS IN THE GROUP

Other employee benefit obligations consist of obligations regarding payments made in connection with employee service tenure, long-service benefits, and other social benefits.

The Group has entered into pension agreements with a significant number of its employees. The majority of the plans are defined contribution plans, while only a small proportion are defined benefit plans.

DEFINED CONTRIBUTION PLANS

The Group finances the plans through regular premium payments to independent insurance companies, which are responsible for the pension obligations. Once the pension contributions to the defined contribution plans have been paid, the Group has no further pension obligations vis-à-vis current or former employees.

DEFINED BENEFIT PLANS

For certain groups of employees, the Group has entered into agreements on the payment of certain benefits, including pensions. These obligations are not or only partly covered by insurance. Unfunded plans have been recognized in the balance sheet, income statement, and statement of other comprehensive income as shown above.

ACCOUNTING POLICIES

Contributions to defined contribution plans are charged to the income statement in the year to which they relate. In France and Italy, the Group still operates defined benefit plans. The costs for the year of defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees up to the valuation dates and is based on actuarial assumptions, primarily regarding discount rates used in determining the present value of benefits and projected rates of remuneration growth. Discount rates are based on the market yields of high-rated corporate bonds in the country concerned.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement. Pension assets are only recognized to the extent that it is possible to derive future economic benefits such as refunds from the plan or reductions of future contributions. The Group's defined benefit plans are usually funded by payments from group companies and by employees to funds independent of the Group. Where a plan is unfunded, a liability for the retirement obligation is recognized in the balance sheet.

Note 3.7

Provisions, commitments and contingent liabilities

PENDING COURT AND ARBITRATION CASES

Oterra Group is party to various disputes and customer claims whose outcome is still uncertain and not recognized in the financial statement at the balance sheet day. None of these are expected to materially affect profit for the year or the financial position.

CHANGE OF CONTROL

The loan facilities are subject to change-of-control clauses.

PROVISIONS

The following provisions and movements therewith are classified under "Other Payables":

EUR millions	2022	2021
Opening at Sep 1, 2021 and Sep 18, 2020	-	-
Provisions during the year	0.3	-
Utilization	-	-
Other movements	-	-
Provisions at August 31	0.3	-

Section 4

Note 4.1

Share capital

Number of shares	2022	2021
Share capital at Sep 1, 2021 and Sep 18, 2020	1,000,000	40,000
Addition	-	960,000
Share capital at August 31	**1,000,000**	**1,000,000**

Oterra's share capital has a nominal value of DKK 1,000,000 (equivalent to EUR 134 thousand), divided into 1,000,000 shares of DKK 1.0 each. The share capital is fully paid.

On April 2022, an additional capital of EUR 125,9 million was paid as tax-free grants from the parent company, Spring MidCo DK ApS. No shares were issued in 2022.

Note 4.2

Capital management

Oterra's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.
The capital structure of Oterra consists of net debt (short-term and long-term borrowings after deducting cash at bank) and equity (issued capital, reserves, retained earnings and non-controlling interests).

Oterra manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants.

The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash at bank.

EUR in millions	2022	2021
Interest-bearing loans and borrowings	453.5	313.0
Trade and other payables	126.5	87.4
Less: cash at bank	(19.5)	(47.4)
Net debt	**560.5**	**353.0**
Equity	555.9	681.8
Total capital	555.9	681.8
Capital and net debt	**1,116.4**	**1,034.8**
Gearing ratio	50%	34%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 August 2022 and 2021.

Note 4.3

Financial assets and liabilities

FINANCIAL RISKS

Oterra is exposed to currency and interest rate fluctuations. Oterra's treasury department monitors and manages risks related to currency exposure and interest rate levels.

FUNDING AND LIQUIDITY RISK

Funding and adequate liquidity are fundamental factors in driving an expanding business and managing funding and liquidity risks is an integral part of Oterra's continual budget and forecasting process. To ensure focus on managing these risks, Oterra's Treasury department manages and monitors funding and liquidity for the entire Group and ensures the availability of the required liquidity through cash management and uncommitted as well as committed facilities.

FOREIGN EXCHANGE RISK

To reduce exposure to exchange rate fluctuations, Oterra primarily trades in EUR and USD. However, trading also takes place in other currencies. Currency exposure is mainly managed by having revenue and expenses in the same currency.

INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows on borrowings from exposure related to bank loans with floating interest rates. The senior facility requires that 50% of the floating interest rate is fixed, and Oterra's Treasury department manages the interest rate risk using financial derivatives.

CREDIT RISK

Credit risks mainly relate to trade and other receivables. The risk is limited due to Oterra's diverse customer base, which represents multiple industries and businesses on international markets in which Oterra cooperates with many large and medium-sized partners. When dealing with smaller businesses, Oterra mainly sells through distributors, thus reducing the credit risk associated with these customers.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors, and/or regions.

COUNTERPARTY RISK

Oterra manages counterparty risk for cash, deposits and financial instruments by only engaging with financial institutions that have a satisfactory long-term credit rating. Oterra's core financial counterparties currently have long-term credit ratings of AA or A.

The following table set forth a breakdown of current and non-current borrowings as of August 31, 2022 and 2021:

EUR millions	**2022**	**2021**
Non-current borrowings		
Senior bank borrowings	413.7	305.3
Lease liabilities	23.9	10.5
Total before amortization of financing expenses	**437.6**	**315.8**
Capitalized financing expenses, senior bank borrowings	(8.7)	(9.0)
Total non-current borrowings	**428.9**	**306.8**
Current borrowings		
Bank borrowings	21.2	2.1
Lease liabilities	3.4	4.1
Total current borrowings	**24.6**	**6.2**
Total	**453.5**	**313.0**

The Group's borrowings are denominated in EUR and USD. Please refer to the table presented below.

The financing of entities within the Oterra Group is monitored and managed at group level. The purpose of capital management is, among other things, to ensure the Group is able to meet the financial covenants relating to its bank borrowings. There have been no breaches of the financial covenants relating to bank borrowings in the current period.

Note 4.3

Financial assets and liabilities

(continued)

EUR millions	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Contractual cash flows	Carrying amount
2022					
Trade receivables	111.3	-	-	111.3	111.3
Tax receivables	1.9	-	-	1.9	1.9
Other receivables	13.1	-	-	13.1	13.1
Cash at bank	19.5	-	-	19.5	19.5
Financial assets at amortized cost	**145.8**	**-**	**-**	**145.8**	**145.8**
Derivative asset	-	8.8	-	8.8	8.8
Derivative designated as hedging instrument	**-**	**8.8**	**-**	**8.8**	**8.8**
Financial liabilities					
Senior bank borrowings [1)]	46.8	232.9	302.3	582.0	426.2
Lease liabilities	3.5	13.1	11.9	28.5	27.3
Trade payables	88.1	-	-	88.1	88.1
Tax payables	3.3	-	-	3.3	3.3
Other payables	27.0	-	-	27.0	27.0
Financial liabilities at amortized cost	**168.7**	**248.0**	**314.2**	**730.9**	**571.9**

EUR millions	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Contractual cash flows	Carrying amount
2021					
Trade receivables	56.8	-	-	**56.8**	56.8
Tax receivables	3.7	-	-	**3.7**	3.7
Other receivables	15.4	-	-	**15.4**	15.4
Cash at bank	47.4	-	-	**47.4**	47.4
Financial assets at amortized cost	**123.3**	**-**	**-**	**123.3**	**123.3**
Financial liabilities					
Senior bank borrowings [1)]	16.2	87.7	294.1	**398.0**	298.4
Lease liabilities	4.1	7.6	3.3	**15.0**	14.6
Trade payables	43.5	-	-	**43.5**	43.5
Tax payables	8.8	-	-	**8.8**	8.8
Other payables	12.1	-	-	**12.1**	12.1
Financial liabilities at amortized cost	**84.7**	**95.3**	**297.4**	**477.4**	**377.4**

1) Includes a loan which may be unconditionally extended until March 2028, meaning that the loan is classified with a maturity in excess of 5 years. As Management expects to repay the loan in March 2027 and 2028, interest has been calculated until then.

Note 4.3

Financial assets and liabilities

(continued)

EUR millions	Effective interest rate (%) [1]	Currency	Available facility	Drawn amount	Maturity (years)	Carrying amount	Interest rate risk amount[2]
2022							
Senior bank borrowings							
Floating rate	0.1%	EUR	326.2	325.9	5-6	320.9	1.4
Floating rate	2.5%	USD	103.1	103.1	5-6	105.3	0.7
Total			**429.3**	**429.0**		**426.2**	**2.1**
2021							
Senior bank borrowings							
Floating rate	0.0%	EUR	300.5	247.0	6-7	238.0	1.1
Floating rate	3.0%	USD	59.9	59.9	6-7	60.4	0.6
Total			**360.4**	**306.9**		**298.4**	**1.7**

1) Interest rate including zero-floor and excluding margin

2) Interest rate risk if interest rates increase by 1.0 percentage point

The fair value of bank borrowings does not differ significantly from the carrying amount.

EUR millions-2022	Total senior bank borrowings	Floating rate	Fixed rate
Currency of the principal			
EUR	320.9	319.6	-
USD	105.3	101.6	-
Total	**426.2**	**421.2**	-

EUR millions-2021	Total senior bank borrowings	Floating rate	Fixed rate
Currency of the principal			
EUR	238.0	238.0	-
USD	60.4	60.4	-
Total	**298.4**	**298.4**	-

Financial instruments

ACCOUNTING POLICIES

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Oterra initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Oterra's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that Oterra commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost and financial assets at fair value through profit or loss.

Financial assets

Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Oterra's financial assets at amortized cost mainly include trade and other receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Oterra's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- Oterra has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Oterra has transferred substantially all the risks and rewards of the asset, or (b) Oterra has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When Oterra has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, Oterra continues to recognize the transferred asset to the extent of its continuing involvement. In that case, Oterra also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Oterra has retained.

Financial liabilities

Financial liabilities are recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, with the exception of derivative financial instruments.

Note 4.4

Hedging activities and derivatives

Derivatives are accounted for as cash flow hedges

As of 31 August 2022, Oterra has outstanding arrangements to hedge interest rate exposures on its foreign currency denominated debts. Details as follow:

2022	Outstanding Notional Amount	Unit	Carrying Amount	Average interest rate	Expected maturity				
					2023	2024	2025	2026	2027
Interest rate cap	179.70	EUR	6.79	4.25%	-	179.70	-	-	-
Interest rate swap	36.65	USD	2.02	7.20%	-	36.65	-	-	-

The corresponding derivative assets are included in other long-term assets in the statement of financial position and measured using fair value Level 2 inputs using discounted cashflow model and Black Scholes model.

The following table shows the presentation of amounts related to cash flow hedges as follows:

Derivatives	Other comprehensive income	Balance sheet	Equity
Interest rate swaps	Value adjustments of hedge instruments for the year	Other long-term assets	Other reserves
Interest rate cap	Value adjustments of hedge instruments for the year	Other long-term assets	Other reserves

ACCOUNTING POLICIES

Initial recognition and subsequent measurement

Oterra uses derivative financial instruments, such as interest rate swaps contracts, to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Oterra only has hedges classified as cash flow hedge. These hedge the exposures to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, Oterra formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how Oterra will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the net fair value changes on cash flow hedges, while any ineffective portion is recognized immediately in the consolidated statement of income. The net fair value changes on cash flow hedges are adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Oterra uses interest rate swaps to hedge its interest rate risks. Changes in the fair value of the interest rate swaps are recognized in OCI and accumulated as a separate component of equity under "Net fair value changes on cash flow hedges".

Oterra designates only the elements of the interest rate swaps as hedging instruments to achieve its risk management objective. These elements are recognized in OCI and accumulated in a separate component of equity under net fair value changes on cash flow hedges.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Section 5

Note 5.1

Non-cash adjustments

EUR millions	2022	2021
Depreciation and amortization	35.2	12.2
Change regarding employee benefit obligations	0.3	0.0
Exchange rate adjustment	(10.2)	0.8
Other non-cash adjustments	(1.1)	6.3
Total	**24.2**	**19.3**

Note 5.2

Change in working capital

EUR million	2022	2021
(Increase)/decrease in receivables	(49.5)	2.1
(Increase)/decrease in inventory	(48.9)	2.2
Increase/(decrease) in payables and other liabilities	39.5	18.6
Adjustment for non-cash investing activities	11.8	17.7
Change in working capital	**(47.1)**	**40.6**

Note 5.3

Changes in liabilities arising from financing activities

EUR millions	1 September 2021	Cash flows	Foreign exchange movement	New leases	Others	31 August 2022
Lease liabilities	14.6	(4.6)	1.2	18.0	(1.8)	27.3
Borrowings	298.4	114.2	11.6	-	2.0	426.2
Total liabilities from financing activities	**313.0**	**109.6**	**12.8**	**18.0**	**0.2**	**453.5**

EUR millions	18 September 2020	Cash flows	Foreign exchange movement	New leases	Others	31 August 2021
Lease liabilities	-	(1.4)	-	16.0	-	14.6
Borrowings	-	298.4	-	-	-	298.4
Total liabilities from financing activities	**-**	**297.0**	**-**	**16.0**	**-**	**313.0**

Note 5.4

Business combinations

Details of the provisional purchase consideration, net assets acquired, and goodwill are as follows:

EUR millions	2022 Spectrum	2022 Jump	2021 Spring	2021 Summer
Purchase consideration				
Cash paid	92.1	45.0	799.7	127.2
Debt to former shareholder	-	-	14.5	3.5
Contingent consideration	-	-		
Minority interests	-	-	-	3.8
Fair value of total consideration	**92.1**	**45.0**	**814.2**	**134.5**

EUR millions	Spectrum	Jump	Spring	Summer
Fair value of net assets acquired				
Other intangible assets	45.5	7.0	352.6	34.2
Property, plant and equipment	2.3	11.0	60.6	20.3
Current assets	6.5	18.8	110.8	38.5
Other current liabilities	(12.9)	(0.9)	(124.8)	(17.5)
Interest-bearing debt	-	(0.4)	(14.6)	(34.9)
Cash at bank	1.2	-	23.9	7.3
Net identifiable assets acquired	**42.6**	**35.4**	**408.5**	**47.9**
Goodwill from acquisition	49.5	9.5	817.0	94.2
Minority interests	-	-	-	(7.6)
Fair value of total consideration	**92.1**	**44.9**	**814.2**	**134.5**
Hereof cash at bank	(1.2)	-	(23.9)	(7.3)
Acquisition costs, net of cash	**90.9**	**44.9**	**790.3**	**127.2**

ACQUISITIONS DURING 2022

Acquired businesses are recognized in the consolidated financial statements from the time of the acquisition. A purchase price allocation has been conducted in accordance with IFRS by fair value assessment of identifiable assets and liabilities at the acquisition date in the opening balance sheet.

The following valuation techniques have been applied in the fair value assessment of significant net assets acquired:

- Property, plant and equipment – have been assessed for fair value by applying the replacement cost approach.
- Technology – has been assessed using a multi-period excess earnings model.
- Customer relationships – have been assessed using an allowed margin approach as the valuation methodology.

The acquisitions made in 2022 as described below have impacted revenue with EUR 40.1 million and EBIT with EUR 2.6 million on the Group. On a pro forma basis had the acquisition been effective from September 1, 2021, the impact would have been EUR 54.3 million to revenue and EUR 4.3 million to EBIT.

Acquisition of *Spectrum*

On December 30, 2021, Oterra acquired 100% of the voting shares of *Spectrum* (Food Ingredient Solutions, LLC), a non-listed company based in United States and specializing in colors and natural antioxidants with expertise in natural colors, in exchange for the Company's shares. Oterra acquired *Spectrum* to enlarge the range of products that can be offered to its clients.

Oterra measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the lease relative to market terms.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

The goodwill of EUR 49.5 million comprises the value of the current workforce and know-how and the expected synergies arising from the acquisition. Goodwill is allocated entirely to the aggregated level, as Oterra is considered one cash-generating unit. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition costs related to the acquisition amounted to EUR 5.1 million.

Acquisition of *Jump*

On December 29, 2021, Oterra acquired the assets of *Jump* (Diana Food SAS), a non-listed company based in France and specializing in coloring foodstuff and is specialized as an ingredient provider with expertise in red coloring foodstuff, in exchange for the Company's shares. Oterra acquired *Jump* to enlarge the range of products that can be offered to its clients.

Oterra measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the lease relative to market terms.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

The goodwill of EUR 9.5 million comprises the value of the synergies arising from the acquisition and a customer relationship, which is not separately recognized. Goodwill is allocated entirely to the aggregated level, as Oterra is considered one cash-generating unit. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition costs related to the acquisition amounted to EUR 2.4 million.

ACQUISITIONS AFTER THE REPORTING DATE

Acquisition of *Indigo*

Effective October 17, 2022, Oterra Group acquired 100% of *Indigo* (Akay Natural Ingredients Private Limited) to further strengthen its natural colour portfolio and expand in nutraceutical ingredients.

The initial accounting for the business combination is not yet completed, and the assessment of acquisition date fair values are still ongoing. Consequently, disclosures of the fair value of assets acquired and other disclosures required under IFRS 3, Business Combinations, cannot be provided. The acquired net assets are expected to relate primarily to goodwill, technology, and customer relationships.

The estimated acquisition price for *Indigo* is EUR 135.3 million subject to final net working capital and net debt adjustments.

ACQUISITIONS DURING 2021

The acquisitions made in 2021 as described below have impacted revenue with EUR 108.3 million and EBIT with EUR (26.4) million on the Group. On a pro forma basis had the acquisition been effective from September 18, 2020, the impact would have been EUR 136.9 million to revenue and EUR 30.3 million to EBIT.

Acquisition of *Spring*

On March 31, 2021, Oterra acquired full ownership of *Spring* (Chr. Hansen's Natural Colors Division), the world's largest provider of natural food colors. The transfer was contemplated as of the acquisition date, allowing Oterra full control of all assets and liabilities. Oterra acquired *Spring* to enlarge the range of products that can be offered to its client.

The Group has elected to measure the non-controlling interests in the acquiree at fair value.

The fair value of the trade receivables amounts to EUR 54.2 million. The gross amount of trade receivables is EUR 54.2 million and it is expected that the full contractual amounts can be collected.

The goodwill of EUR 408.5 million represents the value of the current workforce and know-how and also the operational synergies expected from integration within the Group. Goodwill is allocated entirely to the aggregated level, as Oterra is considered one cash-generating unit. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition costs related to the acquisition amounted to EUR 20.7 million.

Acquisition of *Summer*

On June 26, 2021, Oterra acquired the full ownership of *Summer* (Secna Natural Ingredients Group S.L). Oterra acquired *Summer* to further strengthen its portfolio of products.

The fair value of the non-controlling interest is measured as proportion of the fair value of the net identifiable assets and liabilities.

The goodwill of EUR 40.3 million represents the value of the current workforce and know-how and also the operational synergies expected from integration within the Group. Goodwill is allocated entirely to the aggregated level, as Oterra is considered one cash-generating unit. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition costs related to the acquisition amounted to EUR 3.7 million.

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The most significant assets acquired generally comprise goodwill, patents, IP rights, customer relationships, and property, plant and equipment. No active market exists for the majority of the acquired assets and liabilities, in particular in respect of acquired intangible assets. Accordingly, Management makes estimates of the fair value of acquired assets, liabilities, and contingent liabilities. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently.

The fair value of development projects and customer contracts acquired in business combinations is based on an evaluation of the conditions relating to the acquired portfolio and related customer relationships. Measurement is based on a discounted cash flow model on key assumptions about the estimated split of the acquired and expected revenue, the related churn rates and profitability of the revenue at the time of the acquisition.

ACCOUNTING POLICIES

On business combinations involving external parties, the acquisition method is applied. Acquired assets, liabilities and contingent liabilities are measured on initial recognition at fair value at the time control is deemed to exist. Identifiable intangible assets are recognized if they can be separated and the fair value can be reliably measured. Deferred tax on revaluations is recognized.

Any positive differences between cost and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognized as goodwill under "Intangible assets". The cost is stated at the fair value of shares, debt instruments, and cash and cash equivalents. Goodwill is not amortized but is tested annually for impairment. Negative balances (negative goodwill) are recognized in the income statement at the date of acquisition. Positive differences on the acquisition of joint ventures are recognized in the balance sheet under "Investments in joint ventures".

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is affected, adjustments made to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition within 12 months of the acquisition date are reflected in the initial goodwill. The adjustment is calculated as if it had been recognized at the acquisition date, and comparative figures are restated.

Changes in estimates of the cost of the acquisition that are contingent on future events are recognized in the income statement. Acquisition-related costs are expensed as incurred and included in special items.

Note 5.5

Partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2022	2021
Vitivinícola Ramírez S.L.	Spain	50%	50%
Erkon Konsantre Sanayi ve Ticaret A.Ş.	Turkey	50%	50%

	2022	2021
Accumulated balances of non-controlling interest: (EUR thousands)		
Vitivinícola Ramírez S.L.	287	35
Erkon Konsantre Sanayi ve Ticaret A.Ş.	4,048	1,910
Profit allocated to material non-controlling interest (EUR thousands)		
Vitivinícola Ramírez S.L.	162	(33)
Erkon Konsantre Sanayi ve Ticaret A.Ş.	4,048	464

Note 5.6

Related parties

Related parties are defined as parties with control or significant influence, including group companies.

As of August 31, 2022, Spring MidCo DK ApS (Agern Allé 24, 2970 Hørsholm) held 100% of the share capital of Oterra Holding ApS.

Other related parties include members of the Board of Directors and the Executive Board together with their immediate families.

The remuneration of key management personnel is specified in note 2.3.

All agreements relating to related party transactions are on market terms.

There were no transactions with members of the Board of Directors or other key management personnel other than payment of remuneration.

Note 5.7

Events after the balance sheet date

On October 17, 2022, Oterra signed an agreement to acquire 100% of the company Akay Natural Ingredients Private Limited. The initial accounting for the business combination is not yet completed, and the assessment of acquisition date fair values are still ongoing. Consequently, disclosures of the fair value of assets acquired and other disclosures required under IFRS 3, Business Combinations, cannot be provided. The acquired net assets are expected to relate primarily to goodwill, technology, and customer relationships.

No other events that could have a significant impact on the consolidated financial statements have occurred subsequent to August 31, 2022.

Note 5.8

Group companies

Legal entity name	Country	Consolidated ownership %	Activity
Parent company:			
Oterra Holding ApS	**Denmark**	100	O
Subsidiaries:			
Oterra France SAS Bureau de liaison	**Algeria**	100	S
Oterra Argentina S.R.L.	**Argentina**	100	S
Oterra Australia Pty Ltd	**Australia**	100	S
Local HoldCo Brazil Ltda.	**Brazil**	100	O
NCD Brasil Indústria e Comércio de Corantes Naturais Ltda	**Brazil**	100	P, S
Oterra Shanghai Trading Co., Ltd 1)	**China**	100	S
Beijing Branch of Oterra Shanghai 1) Trading Co., Ltd.	**China**	100	S
Oterra S.A.S	**Colombia**	100	S
Oterra Operations ApS, Czech Republic Branch	**Czech Republic**	100	S
Oterra A/S	**Denmark**	100	P, S
Oterra Operations ApS	**Denmark**	100	S
Oterra France SAS	**France**	100	P, S
Oterra GmbH	**Germany**	100	S
Oterra Operations ApS, Indonesia Representative Office	**Indonesia**	100	S
Oterra Operations ApS, Irish Branch	**Ireland**	100	S
Oterra Italia S.p.A	**Italy**	100	P, S
Oterra S.p.A	**Italy**	100	S
Secna Natural ingredients Group Stabile Organizzazione Italiana	**Italy**	100	S
Società Italiana Coloranti Naturali e Affini - S.I.C.N.A. S.r.l.	**Italy**	100	S
EG industriale S.r.l.	**Italy**	100	S
OTERRA TRADING MALAYSIA SDN. BHD.	**Malaysia**	100	S
Oterra México S.A. de C.V.	**Mexico**	100	S
Oterra Operations ApS, Dutch branche	**Netherlands**	100	S
Oterra Peru S.A.C 1)	**Peru**	100	S
Oterra S.A. 1)	**Peru**	100	P, S
Oterra Poland sp. z o. o.	**Poland**	100	S
Oterra Operations ApS Hørsholm Sucursala Bucuresti	**Romania**	100	S
Oterra Rus LLC	**Russia**	100	S
OTERRA SINGAPORE PTE. LTD.	**Singapore**	100	S
OTERRA INDIGO PTE. LTD.	**Singapore**	100	
Oterra Colors Spain SLU	**Spain**	100	O
Secna Natural Ingredients Group SLU	**Spain**	100	S
Sociedad Española de Colorantes Naturales y Afines SAU	**Spain**	100	P, S
Oterra Operations ApS, Sucursal en España	**Spain**	100	S
Oterra Operations ApS, Filial Sweden	**Sweden**	100	S
Oterra Operations ApS, Thailand Representative Office	**Thailand**	100	S
Oterra Operations Aps Merkezi Danimarka Istanbul Merkez Şubesi	**Turkey**	100	S
Oterra Middle East FZ-LLC	**UAE**	100	S
Oterra UK Limited	**UK**	100	S
Oterra Holdings, LLC	**USA**	100	O
Oterra US Holdings, LLC	**USA**	100	O
Oterra, LLC	**USA**	100	P, S
Food Ingredient Solutions, LLC	**USA**	100	P, S
10 Malcolm, LLC	**USA**	100	O
2600 N. Neergard, LLC	**USA**	100	O
The Representative Office of Oterra A/S in Ho Chi Minh City	**Vietnam**	100	S
Joint ventures:			
Vitivinícola Ramírez sl	**Spain**	50	S
Erkon Konsantre Sanayi Ve Ticaret Anonim Şirketi	**Turkey**	50	S

The “Consolidated ownership” column shows the portion of the income/(loss) of the entity which is attributable to the shareholders of Oterra Holding ApS in the consolidated financial statements.

P – Production
S – Sales
O - Other

1) The group company’s financial reporting period (January-December) deviates from that of the Group.

Oterra Holding ApS

Annual Report 2021/2022

(Parent Company)

Income statement

EUR thousands	Note	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Revenue		-	-
Gross income/(loss)		**-**	**-**
Administrative expenses	2.1	(6,080)	(907)
Other operating income		373	513
Operating income/(loss) (EBIT) before special items and impairment of investments in group companies		**(5,707)**	**(394)**
Impairment loss on investments in group companies	3.1	(205,000)	-
Special items		(3,866)	(23,383)
Operating income/(loss) (EBIT)		**(214,573)**	**(23,777)**
Financial income	2.2	23,631	1800
Financial expenses		(35,041)	(5,005)
Income/(loss) before tax		**(225,983)**	**(26,982)**
Income taxes	2.3	284	-
Income/(loss) for the year		**(225,699)**	**(26,982)**

Statement of comprehensive income

EUR thousands	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 – Aug 31, 2021
Income/(loss) for the year	(225,699)	(26,982)
Items that will be reclassified subsequently to the income statement when specific conditions are met		
Currency translation to presentation currency	(361)	(3)
Value adjustment of hedge instruments for the year	8,803	-
Income tax relating to these items	(1,900)	-
Other comprehensive income for the year	**6,542**	**(3)**
Total comprehensive income for the year	**(219,157)**	**(26,985)**

Balance sheet

EUR thousands	Note	2022	2021
ASSETS			
Non-current assets			
Investments in group companies	3.1	467,760	665,388
Other long-term assets		8,803	-
Total non-current assets		**476,562**	**665,388**
Current assets			
Receivables from group enterprises		464,382	288,508
Other receivables		187	1,549
Cash at bank		1,437	13,309
Total current assets		**466,005**	**303,366**
Total assets		**942,568**	**968,754**
EQUITY AND LIABILITIES			
Equity			
Share capital	4.1	134	134
Other reserves		6,539	(3)
Retained earnings		600.205	699,959
Total equity		**606,878**	**700,090**
Non-current liabilities			
Borrowings	4.2	305,467	258,306
Total non-current liabilities		**305,467**	**258,306**
Current liabilities			
Borrowings		8,002	-
Trade payables		4,936	-
Other payables		17,285	10,358
Total current liabilities		**30,223**	**10,358**
Total liabilities		**335,690**	**268,664**
Total equity and liabilities		**942,568**	**968,754**

Cash flow statement

EUR thousands	Note	Sep 1, 2021 – Aug 31, 2022	Sep 1, 2021 – Aug 31, 2022
Operating income/(loss) before special items and impairment of investments in group companies		(5,707)	(394)
Special items		(3,866)	(23,383)
Non-cash adjustments	5.1	8,277	(2,200)
Change in working capital		(164,625)	(279,701)
Interest received		4,854	-
Interest paid		(13,118)	(261)
Net cash flow from operating activities		**(174,185)**	**(305,939)**
Payment for investments in subsidiaries		(7,372)	(665,388)
Cash flow from investing activities		**(7,372)**	**(665,388)**
Proceeds from issues of shares and other equity securities		125,945	727,075
Proceeds from borrowings		150,232	257,561
Repayment of borrowings		(106,131)	-
Cash flow from financing activities		**170,046**	**984,636**
Cash and cash equivalents at the beginning of the financial year		13,309	-
Unrealized exchanged gains/(losses) include in cash and cash equivalents		(361)	2
Net cash flow for the year		(11,511)	13,307
Cash and cash equivalents at August 31		**1,437**	**13,309**

Statement of changes in equity

EUR thousands	Share capital	Other reserves	Retained earnings	Total
2022				
Equity at September 1, 2021	**134**	**(3)**	**699.959**	**700,090**
Income/(loss) for the year	-	-	(225.699)	(225.699)
Other comprehensive income/(loss) for the year, see the statement of comprehensive income	-	6.542	-	6.542
Total comprehensive income/(loss) for the year	**-**	**6.542**	**(225.699)**	**(219.157)**
Capital increase	-	-	125.945	125.945
Equity at August 31, 2022	**134**	**6.539**	**600.205**	**606.878**
2021				
Equity at September 18, 2020	5	**-**	**-**	5
Income/(loss) for the year	-	-	(26.982)	(3)
Other comprehensive income/(loss) for the year, see the statement of comprehensive income	-	(3)	-	(26.982)
Total comprehensive income/(loss) for the year	**-**	**(3)**	**(26.982)**	**(26.985)**
Capital increase	129	-	726.941	727.070
Equity at August 31, 2021	**134**	**(3)**	**699.959**	**700.090**

The Board of Directors has decided not to propose any ordinary dividend for the financial year September 1, 2021 – August 31, 2022 and September 18, 2020 – August 31, 2021.

Note 1.1

Accounting policies

The parent company financial statements of Oterra Holding ApS (the Parent Company) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act.

The accounting policies applied by the Parent Company are the same as apply to the Oterra Group, see the notes to the consolidated financial statements, with the exception of the following

Investments in group companies

The accounting policies for investments in group companies and related transactions are presented in note 5.8.

Note 1.2

Key accounting estimates and judgements

In preparing the parent company financial statements, Management makes various accounting estimates and assumptions that form the basis of the recognition and measurement of the Parent Company's assets and liabilities.

In applying the Group's accounting policies, Management makes judgements that may significantly influence the amounts recognized in the financial statements. The key accounting estimates and judgements for the Oterra Group are presented in the notes to the consolidated financial statements. Furthermore, management considers the key accounting estimates and judgements used in the preparation of the consolidated financial statements in particular referring to the carrying amount of investments in group companies.

Assumptions about the future and estimation uncertainty at the balance sheet date are described in the notes where there is a significant risk of changes that could result in material adjustments to the carrying amount of assets or liabilities within the next financial year.

Note 2.1

Fees to auditors

EUR thousands	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
EY		
Statutory audit	(10)	(10)
Total	**(10)**	**(10)**

Note 2.2

Financial income and expenses

EUR thousands	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Financial income		
Interest income, group companies	12,203	1,800
Foreign exchange gains	11,428	-
Total	**23,631**	**1,800**

EUR thousands	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Financial expenses		
Interest expenses	(14,967)	(4,735)
Foreign exchange losses	(18,585)	(74)
Other financial expenses including amortized costs	(1,489)	(196)
Total	**(35,040)**	**(5,005)**

Note 2.3

Income taxes and deferred tax

EUR thousands	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Income taxes		
Current tax for the year	(1,616)	-
Change in deferred tax concerning the income/(loss) for the year	-	-
Tax on the income/(loss) for the year	**(1,616)**	**-**
Tax in the income statement	**284**	**-**
Tax on other comprehensive income	**(1,900)**	**-**

EUR thousands	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Reconciliation of tax rate		
Danish tax rate	22%	22%
Non-deductible financial expenses	(1%)	(3%)
Non-deductible expenses	(20%)	(15%)
Valuation allowance of deferred tax assets	(1%)	(3%)
Effective tax rate	**0%**	**0%**
Tax for the year	**-**	**-**

EUR thousands	2022	2021
Deferred tax		
Deferred tax at Sep 1, 2021 and Sep 18, 2020	-	-
Change in deferred tax – recognized in the income statement	-	-
Deferred tax at August 31	-	-
Deferred tax assets	-	-
Deferred tax liabilities	-	-
Deferred tax at August 31	-	-

Specification of deferred tax		
Liabilities	(400)	-
Tax loss carry-forwards	(727)	(973)
Valuation allowance of deferred tax assets	1,127	973
Total deferred tax at August 31	**-**	**-**
Amounts due after 12 months, estimated	**-**	**-**

Note 3.1

Investments in group companies

EUR thousands	2022	2021
Cost at September 1, 2021 and September 18, 2020	665,388	-
Currency translation	-	-
Additions	7,372	665,388
Impairment	(205,000)	-
Disposals	-	-
Cost at August 31	**467,760**	**665,388**

As described in note 3.1 of the consolidated financial statements, an impairment was recognized relating to goodwill. As this indicate, investments in subsidiaries are impaired, management has tested the carrying amount of investments against their recoverable amount. The test showed, that the carrying amount exceeded the enterprise value less net debt, and an impairment of EUR 205,000,000 was recorded.

See note 5.8 to the consolidated financial statements for a list of group companies.

ACCOUNTING POLICIES

Dividends from group companies are recognized as income in the income statement of the Parent Company in the financial year in which the dividend is declared. If the carrying amount of an investment in a subsidiary exceeds the carrying amount of the net assets in the subsidiary's financial statements, or if the dividend exceeds the total comprehensive income of the subsidiary in the period in which the dividend is declared, the carrying amount of the subsidiary is tested for impairment.

Investments in group companies are measured at cost. If the cost exceeds the recoverable amount, it is written down.

Note 3.2

Commitments and contingent liabilities

Please refer to note 3.7 to the consolidated financial statements.

EUR thousands	2022	2021
Individual assets directly pledged		
Equity investment in Chr. Hansen Natural Colors A/S	460.160	665.383
Equity investment in Oterra France SAS	2.622	-
Equity investment in Oterra Shanghai Local AcqCo Trading Co., Ltd	2.444	-
Equity investment in Local HoldCo Brazil Ltda	2.304	-
Equity investment in Oterra GmbH	25	-
Equity investment in Oterra UK Limited	200	-
Equity investment in Oterra Operations ApS	5	5
Carrying amount of pledged individual assets	**467.760**	**665.388**

The parent Company has issued letters of support in favour of certain subsidiaries.

JOINT TAXATION

The Parent Company and its Danish subsidiaries are jointly taxed with the Danish companies in the Oterra Group. The joint taxation arrangement also covers withholding taxes in the form of dividend tax, royalty tax, and interest tax. The Danish companies are jointly and individually liable for the joint taxation payments. Any subsequent adjustments to income taxes and withholding taxes may lead to a higher liability. The taxes for the individual companies are allocated in full on the basis of the expected taxable income.

Note 4.1

Share capital

Number of shares	2022	2021
Share capital at September 1, 2021 and September 18, 2020	1.000.000	40,000
Additions	-	960,000
Share capital at August 31	**1.000.000**	**1,000,000**

The Parent Company's share capital has a nominal value of DKK 1,000,000 (equivalent to EUR 134 thousand), divided into 1,000,000 shares of DKK 1.0 each. The share capital is fully paid up.

During 2022, additional capital of EUR 125, 9 million was paid as tax-free grants from the parent company, Spring MidCo DK ApS. No shares was issued in 2022.

Note 4.2

Financial assets and liabilities

Please refer to note 4.3 to the consolidated financial statements. The Parent Company is the borrower of Senior bank borrowings with a carrying amount EUR 313.5 million of which EUR 228.1 million and EUR 85.4 million are denominated in EUR and USD, respectively.

Note 5.1

Non-cash adjustments

EUR thousands	2022	2021
Interest receivables	7,349	1,799
Exchange rate adjustment	928	167
Other non-cash adjustments	-	(4,166)
Total	**8,277**	**(2,200)**

Note 5.2

Related parties

Please refer to note 5.6 to the consolidated financial statements

Transactions between the Parent and the subsidiaries

EUR thousands	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 - Aug 31, 2021
Sale of services	373	513
Interest income	11,350	1,800

Oterra Holding ApS is 100% owned by Spring MidCo ApS, Agern Alle 24, 2970 Hørsholm and is part of the consolidated financial statements of Spring TopCo ApS.

Events after the balance sheet date

Please refer to note 5.7 to the consolidated financial statements.